ORIGINAL

**BOEHM, KURTZ & LOWRY**
ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 2110
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764



**Via Overnight Mail**

February 26, 2003

Arizona Corporation Commission
Attn: Docket Filing Window
1200 Washington Street
Phoenix, AZ 85007

***Re: Docket No. E-01345A-03-0437***

Dear Sir or Madam:

Please find enclosed the original and thirteen (13) copies of the Response of the Kroger Co. to the Second Set of Data Requests of Arizona Public Service Company in the above-referenced matter.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
**BOEHM, KURTZ & LOWRY**

MLKkew
Attachments

## CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by regular U.S. mail (unless otherwise noted), this 26th day of February, 2004.

Bill Murphy, Vice President AZCA
Murphy Consulting
2422 E. Palo Verde Drive
Phoenix, AZ 85016

Robert W. Geake
Vice President & General Counsel
Arizona Water Co.
P.O. Box 29006
Phoenix, AZ 85038

Jay L. Shapiro
Patrick J. Black
Fennemore Craig, P.C.
3003 North Central Avenue
Suite 2600
Phoenix, AZ 85012

Andrew W. Bettwy
Bridget A. Branigan
Southwest Gas Corp.
5241 Spring Mountain Rd.
Las Vegas, Nevada 89150

Christopher Kempley, Chief Counsel
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Thomas L. Mumaw
Karilee S. Ramaley
Pinnacle West Capital Corp.
P.O. Box 53999, MS 8695
Phoenix, AZ 85072-3999
**Via Electronic Mail**

C. Webb Crockett
Fennemore Craig, P.C.
3003 North Central Avenue
Suite 2600
Phoenix, AZ 85012

Major Allen G. Erickson
AFCESA/ULT
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-6348

David Crabtree
Dee Brown
Bill Gehlen
Teco Power Services
P.O. Box 111
Tampa, Florida 33601-0111

Jeffrey Guldner
Snell & Wilmer
400 E. Van Buren,
One Arizona Center
Phoenix, Arizona 85004-0001
**Via electronic mail**

Ernest G. Johnson, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Walter W. Meek, President
Arizona Utility Investors Assoc.
2100 N. Central Avenue, Suite 210
Phoenix, AZ 85004

Nicholas J. Enock
Lubin & Enoch
349 N. Fourth Ave.
Phoenix, AZ 85003

Scott S. Wakefield
Chief Counsel
Residential Utility Consumer Office
1110 W. Washington St., Suite 220
Phoenix, AZ 85007

Arizona Reporting Service, Inc.
2627 N. Third Street, Suite Three
Phoenix, Arizona 85004-1104

Barbara Klemstine
Jana Van Ness
APS
Mail Station 9905
P.O. Box 53999
Phoenix, AZ 85072-3999
**Via electronic mail**

Michael L. Kurtz, Esq.

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AZ CORP COMMISSION
DOCUMENT CONTROL

**BEFORE THE**
**ARIZONA CORPORATION COMMISSION**

| | | |
|---|---|---|
| IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN, AND FOR APPROVAL OF PURCHASED POWER CONTRACT | : | DOCKET NO. E-01345A-03-0437 |

Arizona Corporation Commission
DOCKETED

FEB 27 2004

DOCKETED BY CAR

**RESPONSE OF THE KROGER CO. TO**
**TO SECOND SET OF DATA REQUESTS OF**
**ARIZONA PUBLIC SERVICE COMPANY**

**Q2-1. Is it correct to say that Mr. Baron has proposed that the \$1.59 primary credit in E-32 be divided into a \$0.94 secondary line credit and a \$0.65 transformation credit, and that customers with kW> 100 receive the \$0.94/kW credit relative to customers with kW< 100?**

**RESPONSE:**

Mr. Baron's proposal is to provide an additional category of voltage credits that would provide demand metered customers at secondary voltage, whose demands exceed 100 kW/month, a credit of \$0.94/kW. The primary credit of \$1.59/kW and the transmission credit of \$4.60/kW would remain the same as proposed by the Company. As a result, for the demand metered portion of Rate E-32 (those customers whose demands exceed 20 kW), there would be four categories of distribution demand charges. For secondary customers whose demands are 100 kW or below, these customers would pay the basic secondary distribution charge. For secondary customers whose demands exceed 100 kW, these customers would pay the basic secondary distribution charge, less a credit of \$0.94/kW to reflect secondary line avoidance. Primary customers would continue to receive the \$1.59 primary credit, relative to the basic secondary charge that is established for secondary customers at 100 kW or below. Finally, transmission customers would pay the basic secondary charge applicable to customers whose demands are 100 kW or below, less the \$4.60 transmission credit.

**KROGER RESPONSE TO SECOND SET OF DATA REQUESTS**
**FROM ARIZONA PUBLIC SERVICE COMPANY**
**TO KROGER COMPANY**
**(Docket No. E-0134SA-03-0437)**

**Q2-2. Referring to Mr. Baron's direct testimony at page 25, lines 14-16, Mr. Baron states: My recommendation would be to redesign rate E-32 to reflect a "secondary function" credit of $0.94 for all secondary customers whose demands exceed 100." On page 26, lines 1-2 of his direct testimony, he states the Exhibit SJB-4 shows "a corrected calculation of the Rate E-32 voltage differentials."**

**a. Is it correct to say that Exhibit SJB-4 is NOT the redesign referred to on page 25, lines 14-16?**

**b. Is this redesign presented in detail anywhere in Mr. Baron's direct testimony?**

**c. Please provide the redesign if it has been prepared.**

**d. Is it correct to say that Exhibit SJB-4 is a restatement of APS' proposed primary and transmission discounts, with the $0.94 carved out as a separate component?**

**<u>RESPONSE:</u>**

a. Exhibit SJB-4 identifies the appropriate credit applicable to secondary customers who do not impose any secondary line costs on the Company. The exhibit does not redesign the distribution demand charges associated with Rate E-32. However, the calculation of such a rate could readily be performed by the Company using billing determinants for customers who are demand metered, at secondary voltage and use demands between 20 kW and 100 kW and billing determinants for secondary customers whose demands exceed 100 kW. Mr. Baron did not perform this calculation, but believes the Company could readily perform the calculation.

b. Mr. Baron did not redesign Rate E-32. He did provide the principles that he recommends be adopted by the Commission to correct the problem with the Company's proposed voltage differentiation. As discussed in response to part (a.) of this question and in response to Q2-1, Mr. Baron's proposal is to add an additional voltage block to the demand metered portion of Rate E-32.

c. Please see response to part (a.) of this question. Mr. Baron has described in Response to part (a.) of this question and in response to Q2-1 the methodology that he is recommending for the redesign of Rate E-32. Without the billing determinants described in part (a.), Mr. Baron is unable to redesign the rate.

d. Please see response to parts (a.) through (c.) of this question and response to Q2-1. Mr. Baron did not redesign the rate, but presented an explanation for the establishment of an additional voltage credit consistent with the Company's cost of service results.

**KROGER RESPONSE TO SECOND SET OF DATA REQUESTS
FROM ARIZONA PUBLIC SERVICE COMPANY
TO KROGER COMPANY
(Docket No. E-0134SA-03-0437)**

**Q2-3. Under Mr. Baron's proposal, should the charges for E-32 customers with demands of 0<=kW<=20 be adjusted upward (in addition to the kW charge for Small E-32 customers with demands of 20<kW<=100)?**

**<u>RESPONSE:</u>**
No. That is not Mr. Baron's proposal.

**KROGER RESPONSE TO SECOND SET OF DATA REQUESTS
FROM ARIZONA PUBLIC SERVICE COMPANY
TO KROGER COMPANY
(Docket No. E-0134SA-03-0437)**

**Q2-4. If both Small General Service and Medium General Service E-32 customers are providing an intraclass subsidy to Large General Service E-32 customers, is it appropriate to increase demand charges on Small E-32 by $0.92/kW relative to Large General Service E-32, thus further aggravating the intraclass subsidy? Does Mr. Baron have any suggestions that would provide some remedy to Medium General Service (which includes Kroger stores) without aggravating the intraclass subsidy problem?**

**RESPONSE:**

Mr. Baron believes that it is appropriate to correct the problem with the Company's E-32 rate design applicable to customers whose demands exceed 20 kW (demand metered customers on Schedule E-32). In order to make the corrections as discussed by Mr. Baron, it is necessary to add an additional voltage discount to the distribution demand charges of the rate, as discussed in Mr. Baron's testimony and in responses to previous data requests. To the extent that the Company's rate design includes both small (customers below 100 kW), medium and large customers on the same rate schedule (the demand metered portion of Rate E-32), it is not possible to perfectly allocate costs pursuant to a single rate design that is applicable to three different cost of service classes (small, medium and large).

However, with that said, Mr. Baron has reviewed the testimony of Kevin Higgins on behalf of Arizonans for Electric Choice and Competition and supports Mr. Higgins' proposal for the redesign of Rate E-32 with regard to setting the first demand block at 100 kW, as described on page 36 of Mr. Higgins' testimony beginning at line 4.

**KROGER RESPONSE TO SECOND SET OF DATA REQUESTS**
**FROM ARIZONA PUBLIC SERVICE COMPANY**
**TO KROGER COMPANY**
**(Docket No. E-0134SA-03-0437)**

**Q2-5. Referring to Mr. Baron's direct testimony at page 27, lines 1-6, Mr. Baron proposes that E-32 customers be permitted to purchase secondary facilities during a six-month window. Has Mr. Baron considered the administrative costs of this program, and how APS would recover those costs? Is it Mr. Baron's position that the customer would become fully responsible (from both a technical and financial perspective) for maintaining the purchased facilities?**

**RESPONSE:**

Mr. Baron has not calculated the administrative costs associated with his proposal to permit customers to purchase secondary facilities during a six-month window. However, Mr. Baron believes that APS should have the opportunity to recover these costs and would support a proposal by the Company to adopt Mr. Baron's proposal to permit customers to purchase secondary facilities and recover reasonable costs associated with administering the program, by charging these costs to customers who elect to make such purchases.

Mr. Baron expects that customers who purchase secondary facilities from the Company would be responsible for maintaining the facilities from both a technical and financial perspective. However, Mr. Baron believes that it would be reasonable and appropriate for the Company to offer, at the customer's option, a service in which the Company would provide maintenance for purchased facilities and charge the cost of this service directly to customers who elect such a service.

**KROGER RESPONSE TO SECOND SET OF DATA REQUESTS**
**FROM ARIZONA PUBLIC SERVICE COMPANY**
**TO KROGER COMPANY**
**(Docket No. E-0134SA-03-0437)**

**Q2-6. Is Mr. Baron aware of any regulated utility that provides a secondary voltage delivery discount as he proposes? If so, please identify such utilities and provide tariff sheets for each utility that includes the proposed discount.**

**RESPONSE:**

Mr. Baron has not performed a review of utility tariffs to address the question being posed in this data request. However, Mr. Baron believes that the APS cost of service results are the appropriate factor to guide the Company's rate design. As discussed in Mr. Baron's testimony, the Company's own study supports the voltage differentiation proposed by Mr. Baron.